

CITY OF PORTERVILLE

SINGLE AUDIT REPORTS

JUNE 30, 2010

**City of Porterville, California
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For the year ended June 30, 2010

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Porterville, California

We have audited the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the City of Porterville, California (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City's management, others within the entity, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pressley & Associates, Inc.

Accountancy Corporation

Bakersfield, California
January 14, 2011

SINGLE AUDIT REPORTS

PRESSLEY & ASSOCIATES, INC.

ACCOUNTANCY CORPORATION

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Porterville, California

Compliance

We have audited the City of Porterville's, California (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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To the Honorable Mayor and City Council
City of Porterville, California
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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 14, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City's management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pressley & Associates, Inc.

Accountancy Corporation
Bakersfield, California
January 14, 2011

City of Porterville, California
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Grantor/pass-Through Grantor/Program or Cluster Title	Pass-through Entity indentifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/ Entitlement Program	N/A	14.218	\$ 787,743
Pass Through the State of California Home Investment Partnerships Program Home - First Time Home Buyers	08-HOME-4698	14.239	144,298
Pass Through the County of Tulare, California Community Development Division ARRA-Neighborhood Stabilization Program	09-NSP1-6270	14.256	<u>456,012</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>1,388,053</u>
U.S. Department of Transportation:			
Federal Transit Administration	CA904760	20.507	300,000
Federal Transit Administration	CA900658	20.507	319,922
Federal Transit Administration	CA900531	20.507	37,600
Federal Transit Administration	CA900472	20.507	9,436
ARRA-Federal Transit Administration	CA960049	20.507	<u>94,660</u>
Subtotal CFDA 20.507			<u>761,618</u>
Pass through the California Department of Transportation:			
Highway Planning and Construction	BHLS-5122-028	20.205	4,031
Highway Planning and Construction	BHLS-5122-036	20.205	811
Highway Planning and Construction	RPSTPL 5122-039	20.205	70,454
Highway Planning and Construction	CML-5122-056	20.205	87,832
Highway Planning and Construction	CML-5122-057	20.205	113,000
Highway Planning and Construction	CML-5122-058	20.205	328,260
Highway Planning and Construction	CML-5122-063	20.205	18,934
Highway Planning and Construction	CML-5122-053	20.205	121,413
Highway Planning and Construction	CML-5122-044/046	20.205	440
ARRA-Highway Planning and Construction	ESPL-5122-062	20.205	<u>142,652</u>
Subtotal CFDA 20.205			<u>887,827</u>
Airport Improvement Program Grant	3-06-0190-09	20.106	<u>477,544</u>
<i>Total U.S. Department of Transportation</i>			<u>2,126,989</u> (continued)

The accompanying notes are an integral part of this schedule.

City of Porterville, California
Schedule of Expenditures of Federal Awards (cont.)

For the Year Ended June 30, 2010

Federal Grantor/pass-Through Grantor/Program or Cluster Title	Pass-through Entity indentifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Energy:			
ARRA-Energy Efficiency & Conservation Block Grant	N/A	81.128	\$ 496,000
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant	CA904760	16.738	30,690
Pass through the Tulare County District Attorney:			
ARRA-Edward Byrne Memorial Justice Assistance Grant	CA960049	16.738	<u>107,860</u>
<i>Total U.S. Department of Justice</i>			<u>138,550</u>
Department of Agriculture:			
Passed Through ReLeaf.org:			
ARRA-Releaf Grant	09-CR-ARRA-12	10.999	<u>13,425</u>
Department of Homeland Security:			
Passed Through Governor's Office of Emergency Services:			
Fire Operations and Firefighter Safety	EMW-2009-FP-00888	97.004	<u>29,967</u>
Total Expenditures of Federal Awards			<u>\$ 4,192,984</u>

The accompanying notes are an integral part of this schedule.

City of Porterville
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Porterville, California (City) under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Pass-through entity identifying numbers are presented where available.

Note 3: Loans Outstanding

The City had the following loan balance outstanding at June 30, 2010. The portion of the loan balance expended for the project is included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Section 108- Loan Guarantee Program	14.248	\$ 3,248,000

FINDINGS AND RECOMMENDATIONS SECTION

**City of Porterville
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiency identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	
CFDA #20.507	Federal Transit Administration
CFDA #20.205	Highway Planning and Construction
CFDA #81.128	Energy Efficiency & Conservation Block Grant
CFDA #16.738	Edward Byrne Memorial Justice Assistance Grant
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

City of Porterville
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section II – Financial Statement Findings

There were no findings for Financial Statements.

Section III – Federal Awards Findings and Questioned Costs

There were no findings and questioned costs for Federal awards.

**City of Porterville
Status of Prior Audit Year Findings
For the Year Ended June 30, 2010**

There were no prior year audit findings.